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USDOC FOR 4332/ITA/MAC/WH/MSIEGELMAN  
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TAGS: [ENRG](#) [ECON](#) [PGOV](#) [NU](#)

SUBJECT: ENERGY CRISIS FORCES GOVERNMENT TO CUT WORK WEEK

REF: 06 MANAGUA 2051

11. (U) Summary: Nicaraguan President Daniel Ortega has mandated a shortened workday for all executive branch offices in Managua in accordance with a recent agreement establishing a nation-wide blackout schedule. The agreement signed by the Nicaraguan Energy Institute (INE) and Spanish-owned energy distributor Union Fenosa guarantees power to the capital city from 7 AM and 2 PM. All other departments will experience blackouts during these hours. Ortega and other GON officials have publicly stressed that new generating capacity will be installed shortly and that rationing is a temporary measure. The bulk of the anticipated capacity will not become operational until early 2008, however. While the shortened government work week and scheduled blackouts reduce the chaos brought on by this crisis, its impact on economic activity remains significant. End summary.

Deal or No Deal  
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12. (U) On July 5, President Ortega announced a decree mandating a shortened workday for all executive branch offices in Managua. The decree is intended to better manage the country's ongoing energy shortage, which has seemingly random blackouts of up to 12 hours a day throughout the country in recent weeks. INE President David Castillo proposed the reduced working hours in a letter to Ortega on July 4.

13. (U) On July 10, government officials accused Fenosa of failing to adhere to the agreed-upon blackout schedule and demanded a new arrangement, which was signed on July 12. According to this agreement, all departments outside Managua will lose power Monday through Friday from 7 AM to 2 PM. Within Managua, power will be cut from 2 - 6 PM for some areas and from 5 - 10 PM for others, on alternating weeks. The arrangement was designed so that no commercial sector would face outages of more than five hours in duration, at least within the capital city. Fenosa will establish a weekend blackout schedule, but thanks to lower energy demand on those days outages will not be as severe.

The New Government Work Day - Earlier and Shorter  
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14. (U) According to the new arrangement, all executive branch institutions in Managua will be open Monday through Friday from 7 AM to 1 PM, with the exception of hospitals, health clinics, and selected educational facilities. While Ortega lacks the authority to mandate reduced hours for non-executive GON offices, he has called upon the legislative and judicial branches, as well as all

independent institutions, to follow his lead. According to Ortega, he and other GON representatives have been in close consultation with members of the private sector and have agreed that it would be preferable to guarantee power in Managua during the morning hours. GON officials also announced that they have requested that the International Monetary Fund (IMF) analyze the Nicaraguan electricity sector to better understand the blackouts and their causes.

#### Help On the Horizon

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15. (U) On July 5, Castillo claimed the blackout schedule would continue only until August while generator units that provide a total of 60 MW are repaired. Yet according to Nicaraguan Chamber of Commerce President Jose Adan Aguerri, the country's energy crisis will not be fully resolved until new power generation plants are installed in the coming months. The Nicaraguan power sector has an installed generation capacity of around 700MW, but is currently generating just 450MW, far less than average peak demand of about 600MW.

16. (U) With the backing of Ortega, the National Assembly passed a bill on June 28 approving the purchase of another 120 megawatts of generators, 60 of which have been secured from a French company and 60 of which remain unprocured. An additional 60 megawatts from Venezuela and 30 megawatts from Taiwan, all bunker/diesel based, are expected to become operational in the first trimester of 2008. On July 17, press reports announced that Florida Light and Power and Ashmore Energy (remnant of Enron's generating arm) are considering making offers as well. Florida Light and Power has proposed a 150MW plant that would burn bunker fuel, while Ashmore is considering a 450MW liquefied coal plant. According to Ortega, Nicaragua is also pursuing long-term hydroelectric, biomass, geothermal, wind, and solar energy projects.

#### Ortega's Message - The Private Sector Cheats

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17. (U) In recent press comments, Ortega confirmed that the GON will continue subsidizing private energy use up to 150KW/month (about 60% of consumers), but warned that individuals who consume above this amount will have to pay accordingly. Ortega blamed the private sector for the current energy shortage, claiming that many large consumers and businesses have been obtaining energy through illicit hook-ups or simple non-payment of utility bills. He encouraged the National Assembly to pass a law cracking down on such practices.

#### Comment

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18. (SBU) The blackout schedule is a welcome measure for businesses who have suffered large losses due to the unpredictable nature of the power supply in recent weeks. Nevertheless, it is extremely difficult to run a government and grow an economy with daily five-hour blackouts, and even Ortega has acknowledged that this arrangement is nothing more than a short-term measure designed to address the symptoms of a much larger and long-term ailment.

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